

# House File 456 - Introduced

HOUSE FILE \_\_\_\_\_  
BY REICHERT

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to art, culture, and entertainment by providing  
2 income tax deductions for certain related income and  
3 contributions and by allowing cultural and entertainment  
4 districts to be included in self-supported municipal  
5 improvement districts, and including a retroactive  
6 applicability date provision.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

8 TLSB 2055HH 82

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1 1 Section 1. Section 386.3, subsection 1, paragraphs a and  
1 2 c, Code 2007, are amended to read as follows:

1 3 a. Be comprised of contiguous property wholly located  
1 4 within the boundaries of the city. ~~A self-supported municipal  
1 5 improvement district shall be comprised only of property in  
1 6 districts which are and be one of the following:~~

1 7 ~~(1) An area zoned for commercial or industrial uses and  
1 8 properties within a use.~~

1 9 ~~(2) A duly designated historic district.~~

1 10 ~~(3) A cultural and entertainment district certified by the  
1 11 department of cultural affairs pursuant to section 303.3B.~~

1 12 c. Be comprised of ~~property~~ one of the following:

1 13 (1) Property related in some manner, including but not  
1 14 limited to present or potential use, physical location,  
1 15 condition, relationship to an area, or relationship to present  
1 16 or potential commercial or other activity in an area, so as to  
1 17 be benefited in any manner, including but not limited to a  
1 18 benefit from present or potential use or enjoyment of the  
1 19 property, by the condition, development or maintenance of the  
1 20 district or of any improvement or self-liquidating improvement  
1 21 of the district, ~~or be comprised of property.~~

1 22 (2) Property the owners of which have a present or  
1 23 potential benefit from the condition, development, or  
1 24 maintenance of the district or of any improvement or  
1 25 self-liquidating improvement of the district.

1 26 (3) Property in a certified cultural and entertainment  
1 27 district the owners of which have a present or potential  
1 28 benefit from the expenditure of moneys for purposes of the  
1 29 operational costs associated with the operation of the  
1 30 certified cultural and entertainment district.

1 31 Sec. 2. Section 386.8, Code 2007, is amended to read as  
1 32 follows:

1 33 386.8 OPERATION TAX.

1 34 A city may establish a self-supported improvement district  
1 35 operation fund, and may certify taxes not to exceed the rate  
2 1 limitation as established in the ordinance creating the  
2 2 district, or any amendment thereto, each year to be levied for  
2 3 the fund against all of the property in the district, for the  
2 4 purpose of paying the administrative expenses of the district,  
2 5 which may include but are not limited to administrative  
2 6 personnel salaries, a separate administrative office, planning  
2 7 costs including consultation fees, engineering fees,  
2 8 architectural fees, and legal fees and all other expenses  
2 9 reasonably associated with the administration of the district  
2 10 and the fulfilling of the purposes of the district. The taxes  
2 11 levied for this fund may also be used for the purpose of  
2 12 paying maintenance expenses of improvements or  
2 13 self-liquidating improvements for a specified length of time  
2 14 with one or more options to renew if such is clearly stated in  
2 15 the petition which requests the council to authorize  
2 16 construction of the improvement or self-liquidating

2 17 improvement, whether or not such petition is combined with the  
2 18 petition requesting creation of a district. Parcels of  
2 19 property which are assessed as residential property for  
2 20 property tax purposes are exempt from the tax levied under  
2 21 this section except residential properties within a duly  
2 22 designated historic district and residential properties within  
2 23 a certified cultural and entertainment district. A tax levied  
2 24 under this section is not subject to the levy limitation in  
2 25 section 384.1.

2 26 Sec. 3. Section 386.9, Code 2007, is amended to read as  
2 27 follows:

2 28 386.9 CAPITAL IMPROVEMENT TAX.

2 29 A city may establish a capital improvement fund for a  
2 30 district and may certify taxes, not to exceed the rate  
2 31 established by the ordinance creating the district, or any  
2 32 subsequent amendment thereto, each year to be levied for the  
2 33 fund against all of the property in the district, for the  
2 34 purpose of accumulating moneys for the financing or payment of  
2 35 a part or all of the costs of any improvement or self-

3 1 liquidating improvement or for the financing or payment of  
3 2 operational costs associated with the operation of a certified  
3 3 cultural and entertainment district. However, parcels of

3 4 property which are assessed as residential property for  
3 5 property tax purposes are exempt from the tax levied under  
3 6 this section except residential properties within a duly  
3 7 designated historic district and residential properties within  
3 8 a certified cultural and entertainment district. A tax levied  
3 9 under this section is not subject to the levy limitations in  
3 10 section 384.1 or 384.7.

3 11 Sec. 4. Section 386.10, Code 2007, is amended to read as  
3 12 follows:

3 13 386.10 DEBT SERVICE TAX.

3 14 A city shall establish a self-supported municipal  
3 15 improvement district debt service fund whenever any  
3 16 self-supported municipal improvement district bonds are issued  
3 17 and outstanding, other than revenue bonds, and shall certify  
3 18 taxes to be levied against all of the property in the district  
3 19 for the debt service fund in the amount necessary to pay  
3 20 interest as it becomes due and the amount necessary to pay, or  
3 21 to create a sinking fund to pay, the principal at maturity of  
3 22 all self-supported municipal improvement district bonds as  
3 23 authorized in section 386.11, issued by the city. However,  
3 24 parcels of property which are assessed as residential property  
3 25 for property tax purposes at the time of the issuance of the  
3 26 bonds are exempt from the tax levied under this section until  
3 27 the parcels are no longer assessed as residential property or  
3 28 until the residential properties are designated as a part of  
3 29 an historic district or a certified cultural and entertainment  
3 30 district.

3 31 Sec. 5. Section 422.7, Code 2007, is amended by adding the  
3 32 following new subsections:

3 33 NEW SUBSECTION. 50. a. Subtract, to the extent not  
3 34 otherwise excluded, the appraised value of a work of fine art  
3 35 or written material that is a charitable contribution donated  
4 1 by the artist or author.

4 2 b. For purposes of this subsection, unless the context  
4 3 otherwise requires:

4 4 (1) "Artist" and "fine art" mean the same as those terms  
4 5 are defined in section 556D.1.

4 6 (2) "Charitable contribution" means the same as that term  
4 7 is defined in section 170(c) of the Internal Revenue Code,  
4 8 excluding a contribution or gift to or for the use of a public  
4 9 entity described in section 170(c) of the Internal Revenue  
4 10 Code.

4 11 (3) "Written material" means an article, book, essay,  
4 12 poetry, play, script, or story written by an individual on a  
4 13 professional, freelance basis and not as an employee of  
4 14 another person.

4 15 NEW SUBSECTION. 51. Subtract, to the extent not otherwise  
4 16 excluded, the first twenty-five thousand dollars of the gain  
4 17 from the sale of a unique work of art, provided the artist  
4 18 lives and works in a cultural and entertainment district  
4 19 certified pursuant to section 303.3B.

4 20 Sec. 6. RETROACTIVE APPLICABILITY. The section of this  
4 21 Act amending section 422.7, relating to income tax deductions,  
4 22 applies retroactively to January 1, 2007, for tax years  
4 23 beginning on or after that date.

4 24 EXPLANATION

4 25 This bill relates to art, culture, and entertainment by  
4 26 providing income tax deductions for certain related income  
4 27 contributions and allowing cultural and entertainment

4 28 districts to be included in self-supported municipal  
4 29 improvement districts.  
4 30 Currently, a city is allowed to create a self-supported  
4 31 municipal improvement district comprised of areas zoned for  
4 32 commercial or industrial use and property within a duly  
4 33 designated historic district. The bill expands the type of  
4 34 property that may be included in a district to include  
4 35 cultural and entertainment districts certified by the  
5 1 department of cultural affairs. The bill provides that a  
5 2 self-supported municipal improvement district may be comprised  
5 3 of property in a certified cultural and entertainment district  
5 4 the owners of which have a present or potential benefit from  
5 5 the expenditure of moneys for purposes of the operational  
5 6 costs associated with the operation of the certified cultural  
5 7 and entertainment district. The bill provides that  
5 8 residential property within a certified cultural and  
5 9 entertainment district may be taxed for purposes of an  
5 10 operation tax, a capital improvement tax, and a debt service  
5 11 tax for a self-supported municipal improvement district.  
5 12 The bill allows a taxpayer to exempt from income the amount  
5 13 of the appraised value of a work of fine art or written  
5 14 material that is a charitable contribution donated by the  
5 15 artist or author. The deduction applies retroactively to  
5 16 January 1, 2007, for tax years beginning on or after that  
5 17 date.  
5 18 The bill allows a taxpayer to exempt from income an amount  
5 19 up to \$25,000 of the gain from the sale of a unique work of  
5 20 art, provided the artist lives and works in a cultural and  
5 21 entertainment district. The deduction applies retroactively  
5 22 to January 1, 2007, for tax years beginning on or after that  
5 23 date.  
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